



This is a digital copy of a book that was preserved for generations on library shelves before it was carefully scanned by Google as part of a project to make the world's books discoverable online.

It has survived long enough for the copyright to expire and the book to enter the public domain. A public domain book is one that was never subject to copyright or whose legal copyright term has expired. Whether a book is in the public domain may vary country to country. Public domain books are our gateways to the past, representing a wealth of history, culture and knowledge that's often difficult to discover.

Marks, notations and other marginalia present in the original volume will appear in this file - a reminder of this book's long journey from the publisher to a library and finally to you.

Usage guidelines

Google is proud to partner with libraries to digitize public domain materials and make them widely accessible. Public domain books belong to the public and we are merely their custodians. Nevertheless, this work is expensive, so in order to keep providing this resource, we have taken steps to prevent abuse by commercial parties, including placing technical restrictions on automated querying.

We also ask that you:

- + *Make non-commercial use of the files* We designed Google Book Search for use by individuals, and we request that you use these files for personal, non-commercial purposes.
- + *Refrain from automated querying* Do not send automated queries of any sort to Google's system: If you are conducting research on machine translation, optical character recognition or other areas where access to a large amount of text is helpful, please contact us. We encourage the use of public domain materials for these purposes and may be able to help.
- + *Maintain attribution* The Google "watermark" you see on each file is essential for informing people about this project and helping them find additional materials through Google Book Search. Please do not remove it.
- + *Keep it legal* Whatever your use, remember that you are responsible for ensuring that what you are doing is legal. Do not assume that just because we believe a book is in the public domain for users in the United States, that the work is also in the public domain for users in other countries. Whether a book is still in copyright varies from country to country, and we can't offer guidance on whether any specific use of any specific book is allowed. Please do not assume that a book's appearance in Google Book Search means it can be used in any manner anywhere in the world. Copyright infringement liability can be quite severe.

About Google Book Search

Google's mission is to organize the world's information and to make it universally accessible and useful. Google Book Search helps readers discover the world's books while helping authors and publishers reach new audiences. You can search through the full text of this book on the web at <http://books.google.com/>

**STAFF OF MANAGEMENT AND DIRECTORATE
OF
THE CENTRAL NATIONAL BANK
OF PHILADELPHIA**

OFFICERS

CHAS. E. INGERSOLL
PRESIDENT

STANLEY E. WILSON
VICE-PRESIDENT

WILLIAM POST
CHAIRMAN EXECUTIVE COMMITTEE

A. D. SWIFT
CASHIER

DAVID R. CARSON
ASSISTANT TO THE PRESIDENT

ALBERT H. ASHBY
ASSISTANT CASHIER

DIRECTORS

GEORGE BURNHAM, JR.
MERCHANTS-UNION TRUST CO. DIRECTOR
C. H. WHEELER MANUFACTURING CO.
DIRECTOR

WILLIAM WOOD
MANUFACTURER
REAL ESTATE TITLE INS. & TRUST CO.
DIRECTOR
UNITED GAS IMPROVEMENT CO. DIRECTOR
GREAT AMERICAN INS. CO. OF NEW YORK
DIRECTOR

CHARLES WHEELER
WHEELER, ELLIOT & MANN
JNO. FARNUM CO. VICE-PRESIDENT

CHARLES E. INGERSOLL
MIDLAND VALLEY RAILROAD CO. PRESIDENT
PHILADELPHIA SAVING FUND SOCIETY MANAGER
GIRARD TRUST CO. MANAGER
PENNSYLVANIA RAILROAD CO. DIRECTOR
MISSOURI PACIFIC RAILROAD CO. DIRECTOR
PHILADELPHIA ELECTRIC CO. DIRECTOR

A. A. JACKSON
GIRARD TRUST CO. VICE-PRESIDENT
WESTERN SAVING FUND SOCIETY OF PHILA.
MANAGER
PENN MUTUAL LIFE INSURANCE CO. TRUSTEE

SAMUEL M. CURWEN
THE J. G. BRILL COMPANY PRESIDENT
INSURANCE CO. OF NORTH AMERICA DIRECTOR

CLARENCE M. BROWN
PITTSBURGH PLATE GLASS CO. DIRECTOR
THE LOYAL HANNA COAL & COKE CO.
DIRECTOR
C. H. WHEELER MANUFACTURING CO.
PRESIDENT
PARDEE STEEL CO. PRESIDENT
INSURANCE CO. OF NORTH AMERICA DIRECTOR

STEVENS HECKSCHER
LAWYER
ALAN WOOD IRON & STEEL CO. DIRECTOR
PHILADELPHIA SAVING FUND SOCIETY MANAGER

AVERY D. ANDREWS
AMERICAN REPRESENTATIVE
ROYAL DUTCH PETROLEUM COMPANY
OF HOLLAND
AMERICAN EXCHANGE NATIONAL BANK
NEW YORK CITY DIRECTOR

J. BARTON TOWNSEND
THE PROVIDENT LIFE & TRUST CO.
OF PHILADELPHIA
VICE-PRESIDENT
INSURANCE CO. OF NORTH AMERICA DIRECTOR

C. FRED'K C. STOUT
JOHN R. EVANS & CO. LEATHER
FIRE ASSOCIATION OF PHILADELPHIA DIRECTOR

BENJAMIN RUSH
INSURANCE CO. OF NORTH AMERICA DIRECTOR
PHILADELPHIA TRUST CO. DIRECTOR
PHILADELPHIA SAVING FUND SOCIETY
MANAGER
PENN MUTUAL LIFE INSURANCE CO. TRUSTEE

WILLIAM POST
CHAIRMAN EXECUTIVE COMMITTEE

CLEMENT B. NEWBOLD
W. H. NEWBOLD'S SON & CO.
PENNSYLVANIA RAILROAD CO. DIRECTOR
COMMERCIAL TRUST CO. DIRECTOR
WESTERN SAVING FUND SOCIETY OF PHILA.
MANAGER

CHARLES E. MATHER
MATHER & CO. INSURANCE
FARMERS & MECHANICS TRUST CO.
WEST CHESTER DIRECTOR
THE WM. CRAMP & SONS SHIP AND ENGINE
BUILDING CO. DIRECTOR
TRANSPORTATION MUTUAL INSURANCE CO.
PRESIDENT
AMERICAN & FOREIGN MARINE INSURANCE CO.
NEW YORK DIRECTOR

HARRY F. BAKER
LEHIGH COAL & NAVIGATION CO.
VICE-PRESIDENT

PART II

CAPACITY

TWIN SISTER

TO

CHARACTER

IN THE

FOUR BIG C's

THE BEGINNER IN CREDITS
THE CREDIT MAN AND THE CREDIT
DEPARTMENT
THE CHANNELS OF CREDIT INFORMATION
THE CREDIT MACHINERY
THE COUNTRY BANKER AND CREDITS

By WILLIAM POST

IN PART REVISION OF THE
BROCHURE WRITTEN IN 1910

COPYRIGHT 1922
By WILLIAM POST

HF
5566
TSC

1920

A Word to Credit Friends who may be following this Revision

*There remains to be treated of Capacity—
“The Statement and Its Analysis”—*

**A unit in its relation to Credits—vital—
difficult—not a factor for rigid rule. If it
be offered, it will be an opinion from a
single angle—subject to amendment from
a hundred angles by experienced credit
men. We rather wish it might prove a
“storm centre” bringing out many long
delayed contributions to credit equip-
ment. No credit veteran should leave
the field without making his offering to
credit literature. The oncoming lads need
the benefit of his experiences.**

THE BEGINNER IN CREDITS
THE CREDIT MAN AND THE CREDIT DEPARTMENT
THE CHANNELS OF CREDIT INFORMATION
THE CREDIT MACHINERY
THE COUNTRY BANKER AND CREDITS

This chapter has grown to the point where the factor of deeper significance in Capacity, "The Statement and Its Analysis," will need to go over for treatment to another time—to "borrowed time." We had expected in offering Part II to make the revision of Capacity complete with this analysis, but after touching lightly the important factors here incorporated, with rigorous pruning the paper has lengthened beyond plan.

The grouping of subjects here may seem to imply a liberal education in Credits accorded the writer. If so, kindly remember that not any type of credit education or commercial school training fell to him in the days when with faltering step he entered Credits overnight. In seeking to bring out this series of papers, you will pardon this personal reference, made solely to define the writer's attitude toward Credits—as that of "A Student in Credits"—not an expert.

In this period of after war adjustments, will there be any so bold as to claim expert knowledge in Credits? Will the Veterans in the service be hunting honors, just now, due to knowledge acquired in pre-war times?

Veteran
Credit Men
not hunting
rank at the
close of 1921.

The Beginner in Credits:—

The credit problem, colossal in its detail and its ramifications, has many angles to it. There will always remain much of the old in Credits to be absorbed, coupled with a steady inflow of the new—for the earnest

The
Credit problem
ever unfolding—
even
fascinating.

student the problem will be ever unfolding, often fascinating.

Year 1921
crowded with
commercial
accidents
and
tragedies.

Credits at no period have been more involved—more difficult than in 1921. That year has been crowded with commercial tragedies, post-mortems, cripples, suspensions, extensions, receiverships, reorganizations, mortgages sought and creditors' meetings called for day and night session. A situation not likely to make the credit man oversatisfied with his equipment. There are men in credits worn to a break down due to attendance upon risks sent to the credit hospital, the salvage yard, the mortgage market.

Bank
Credit Men
hard driven
in entering
1922.

There are bank credit men giving night and day service to a long schedule of concerns—these through no fault of management have been precipitated into the after war slump in values accompanied by large inventories as a war legacy—credit men who are loyally resupporting with utmost helpfulness these worth while people until they be brought back to safety and ease in their finances.

There are so few years in which to absorb the lessons of the perilous times through which the business world still moves with uncertain step that the experienced men in Credits will lock arms and journey on to the finish, in pursuit of all that may be of service in review, in study, in analysis, afforded in credits—giving no thought to rank or position.

* * *

Degrees
and
Diplomas
in Credits.

We rather regret to hear, at this time, that degrees may be conferred and diplomas granted in Credits. If degrees be given to the man without experience, may they not prove a handicap rather than an aid, at a time when seasoned credit men are needed?

If the young student in Credits may accept a credit degree after passing a school or college examination—will that diploma be likely to make the credit depart-

ment over which he seeks to be the directing head, immune from being involved in a commercial failure coming quickly thereafter? Startling surprises occur in Credits! Ask the veterans.

If just prior to that failure, in which his people were likely to make a loss, he had handed out largely to men of affairs—men who had arrived in business—and to other comrades in credits—new business cards carrying a title degree in credits recording special attainment—would that card prove at all embarrassing to him? We hardly think he would want that awkward situation to prove the credit student's penalty for dropping his guard over a bit of self-esteem and a bit of cardboard—nor will he covet being styled a "paper credit man."

To the bank man made responsible for Credits, the ever present thought will be—keep out the losses. Will the engraved diploma or business card, think you, save the department from a single loss or business collapse? Will not more be expected of the credit man at the start before he may become seasoned, in the event that his business card shall evidence a degree granted in Credits?

When you hear a man boast of his knowledge in credits—watch him! When the representative of an organization with something to sell, steps to your desk in the bank and tells you that his people have reduced credits to an exact science—keep your hand on your strong cash box.

The young people of today are offered a liberal business education in superior technical and commercial schools. The writer, in looking down the half century of a receding highway to a youthful start in business, over a path a bit filled with activities, recalls that in the early '70's—commercial schools were like solitary sentinels out upon the picket line. Now, there are many such institutions—many that are splendidly equipped.

Should they
be given to
the man
without
experience?

"Keep down
the losses"—
the Bank
Credit Man's
objective.

The
experienced
credit man
will not
boast of
knowledge
in Credits.

The
Advantages
offered by
Commercial
Schools.

Be grateful, you young people, for these latter day advantages wherein you may be aided in measuring and discovering your fitness for a chosen career.

The
knowledge of
Credits
obtained by
experience.

Get all you may out of the schools and colleges relative to business and relative to credits too, but in credits do not permit any fanciful diploma, held before your eyes, to lead you to think you know credits. Your worth while knowledge of credits will be gained through rude shocks to the book knowledge imparted back of the diploma.

The
practical in
Credits.

We would rather see you pull back to safety for your bank, a misplaced credit of \$50,000—we would rather see you halt your bank from granting to an adroit determined borrower an unsafe credit of \$50,000—we would rather see you reach down and lift to a comfortable position an honest but inexperienced trader who had made a misstep in management involving his business for \$50,000—than that you obtain all the engraved credit diplomas to be had between New York and the Golden Gate.

What the
writer covets
for the
younger men
in Credits.

We covet for you, as a young credit student—out to win—that you work hard to secure from the college and schools the best they have to give you in credits or business practice akin to or leading up to Credits—that you gain all the practical knowledge possible right from within the Credit Department, to which there may be no limit—that you be studious along with other men working with you in all outside channels offering advantages to you in Credits—then in sincerity—we suggest, that you forget the credit diploma.

* * *

Rare
Opportunity in
Credits for
the man who
qualifies.

Many young lads will aspire to be credit men. It is a field crowded and overflowing to the rim with opportunity for the man who knows. A legion may knock at the door. Many will obtain a foothold in Credits.

A percentage will reach the advanced levels. Some may seek to qualify by Certificate of diploma—others will qualify through hard knocks, gruelling drudgery, intensive training, not unmixed with bits of bitter experience.

The percentage of those who start in Credits, who may rise to attainment therein, we may not estimate here. We think you will agree, however, that the number will be in proportion as men of analytical mind coupled with balanced judgment enter the service.

Not easy to determine the percentage of those who succeed in Credits.

The qualifications for the Credit Man—will here be taken up, based upon limited experience, where the commercial schools technically leave off, after giving him their best—after he may have found his way into the practical work of the Credit Department. It is planned to here offer but a modest bit of experience and observation to the Credit Student's equipment—drawing upon the banker's daily routine of occurrences, as he may have functioned in credit activities.

Experience will season the Credit Student.

The whole credit problem is appallingly big—the time afforded to know credits, appallingly short.

The appalling size of the Credit Problem.

Let it be remembered—for the best of reasons—we may only touch lightly upon mercantile merchandise credits in this paper—leaving that field to those who know—confining any references made thereto to bits of helpful advice passed to us at the banker's desk by merchant credit friends.

The Banker's limited knowledge of Merchandise Credits.

* * *

The young bank student in credits can hardly afford to know tire—there will absolutely not be a corner in credits for the man inclined to be indolent. There will be years of study and research while he may be finding himself—deeply interesting years—years when he will need to burn the night-time light.

The Bank Credit Man will need to be tireless.

He may not
count his
hours of
service.

His will be a department where he may not count his hours of service. His desk will need to be cleared daily of routine detail and withal there should be time for the deeper analysis wherein he gains his real training.

* * *

A liking for
analysis
handed down
in the blood
an asset for
the Credit
Man.

The man best likely to succeed in bank credits will be one who has had a love for analysis handed down to him in the blood.

If he has not the mind to weigh with accuracy—if he has not breadth of vision—if he has not ability to think straight—then it would seem that there may not be high rank for him in Credits.

* * *

Rigidity of
Method has
no place in
Credits.

If he be of the rigid type, those who follow rigid rules—make rigid deductions—feed upon percentages—one who seeks to apply set methods to all examples coming to him for analysis—it will be hard to conceive that large opportunities await him in Credits.

Others with a broader experience than ours give it as their observation, that of those selected for positions of semi-responsibility in credit work—for a tryout—a minor percentage make good in the pinches and in the end qualify for the higher rank—quite a percentage tire and fall by the wayside, due to the exacting nature of the service.

* * *

Credit Sense
a factor in
Analysis.

The man who would reach the higher levels in Credits may count himself fortunate, if he add to a relish for analysis—a rare bit of “credit sense” or intuition—an appeal, or call, or vision that sticks like a chestnut burr—an impelling hidden force—that leads the credit man to hunt for the finger prints—a mental urging akin to the gift found in the trained, accomplished detective. The latter may have an impression, a leading toward a

situation as yet uncovered that will not down—he does not let go until it be revealed.

A mental suggestion of something concealed or held back in Credits by the parties at interest should be followed swiftly to its uncovering—it may be vital to the credit. If there has been concealment, you will look for the man responsible and for his motive. Disclose the motive—you lay bare the case.

* * *

A sterling asset in the equipment of the credit man will be—decision. The credit service will be no place for the weakling, the temporizer or the procrastinator—all are dangerous to credits.

Decision a
Credit
Requisite.

Swift action may at times be imperative—better to devote your energy in lodging a new and worthy depositor upon the books than to walk the floor of the Credit Department harassed over the safety of a slow credit.

* * *

Another worth while asset for the credit man will be—tact. Tact to an infinite degree. A tact which does not preclude plainness of speech, when the emergency calls for straight thinking accompanied by straight talk. There will not be an hour of the day that tact will not need to be exercised.

The Credit
Man will
need infinite
Tact.

* * *

The credit man will be a builder of business—a constructionist. He will need to aid and educate many of his borrowing clientele to higher aims and more orthodox methods. He will take a deep interest in concerns lacking in experience, but evidencing character and energy. With patience of mind and gift of personal constructive service he will aid in pointing out for his customer, the forward moves to a worth while financial standing.

He will be a
Builder and
Constructionist in the
larger sense.

It is hard to conceive that a man may rise to rank in Credits without enthusiasm for the higher side of the calling—the constructive side—the side which aims to lift the customer to the worth while business levels, to the greater successes.

* * *

No room for
the
Complainer
in Credits.

There is no position in Credits for a complainer or a grouch—nor will there be a bit of room for the man looking for easy times. The duties are the most absorbing found in banking.

* * *

As a side light and handy tool for the credit man all along the way, we have noted: that a knowledge of stenography has proven a valued asset. There have been times in the writer's experience when he coveted the attainment.

* * *

Touching
lightly upon
the factors
in the
Analysis.

The credit student will need to become acquainted with Credit Department methods; the principles which underlie the safety of Credits; the paralleling of statements and the significance of the parallel; the art of analyzing statements of many lines, forms and varieties—noting the changes from year to year occurring in these schedules and what those changes may imply; keeping close to the organization and its personnel that it may not slip back. An unexpected change in management or an internal disagreement should be quickly followed to the point where the credit be safe. He will need to take the schedule of Resources and Liabilities and with analytical flail thresh out the meaning of every item—weigh its value—see that the separations are made in a way to clarify the schedule.

Many other features will need to be incorporated in finally determining if the credit shall be granted—some of these must be deferred in this Chapter for that unwritten section, "The Statement and Its Analysis."

* * *

The reception of the Annual Statement by the experienced credit man may cause him to give but little time to its consideration—upon the other hand he may detect earmarks at a glance that will call for exhaustive research—dependent upon its terms, “its setting.”

The
Statement of
Resources
and
Liabilities—
its reception.

If the statement may be offered as the basis for opening a new account he may ask for a half-dozen statements for back years and start the parallel with these. He will first want to know something of the character of the people he is analyzing, before he gives close attention to back statements from a stranger. The estimate of the personal equation in the credit—the integrity and ability in the management—coupled with the other facts assembled must then have the strongest lights turned upon the whole—this final overlook should include a survey of trade conditions in the line operated by this new borrower.

Back
Statements
illuminate.

To this final estimate of the new risk the credit man must bring a mind open—free from prejudice or bias. If he be experienced, he will avoid hypercriticism or undue emphasis upon minor faults—to the exclusion of essentials. There does not seem to be a place in credits for the ferret type of credit student, who magnifies trifles while passing over potential signs and earmarks.

The Credit
Man must
retain an
open mind.

No place
in Credits
for the ferret.

* * *

In the young credit student's education we do not know of a more vitalizing channel of credit knowledge, a more fertile field for the painstaking credit man, than an intimate analytical study of the causes which have brought about commercial failures.

The Analysis
of business
accidents,
suspensions
and tragedies.

To closely follow the business wrecks and trade tragedies—to search out the false moves and causes leading to the collapse in each separate case, will add to the credit man's knowledge as in no other way.

A mine of
Credit
Knowledge.

These business failures taken up singly will be replete with valued lessons. In this way there may be uncovered a mine of analytical knowledge to be stored up against the time of need.

Study with
groups of
Credit Men
in seeking the
causes.

To obtain the best results in this analysis of credit failures, a group of bank credit men—proven comrades—may gain largely in knowledge and equipment by working together. They may secure statements of failed concerns to be analyzed by the group—they may coordinate in investigating the entire environment, prior to collapse. This company of credit students should be composed of picked earnest men—working together to a common end.

* * *

Write
a
thesis upon
each item in
the
Commercial
Statement.

As a developer and an aid in the education of the young student of credits—let him select any one of the items which usually appear in a statement of Resources and Liabilities—commencing with “Cash” and write a thesis upon that item. Let him keep on through the schedule, writing a separate paper upon each factor in the statement. When he turns the light inward upon those subjects and upon his knowledge of those subjects—when he plows deep into virgin soil for all he may find to illuminate those subjects, he will in the end be gratified and surprised to note how his equipment has broadened through this analysis of the factors in Assets and Liabilities.

If he be invited to read any of those papers to his group associates—that may prove a further stimulant and incentive for him. The writer recalls the first paper he prepared in this way and how it quickly pointed to a widening interest and enthusiasm for his work.

* * *

No place
for rigidity.

No machine effort will carry the young credit student to success—he must weigh and do his weighing with

scales trued and retrued—he must think and think straight.

* * *

To obtain results fairly early as a credit man will prove keen incentive to further effort and to excel.

It was this early stimulant of results attained that gave the writer what seemed at the time—almost a lunge into credits. It came this way: he had been holding down the title and routine duties of Discount Clerk—entering notes for discount and listing collateral, for over a year, when it occurred to him to go to the Executive Officer of the Bank with the request that he be permitted in spare time to analyze the standing and strength of the borrowers of the bank—the notes passing under his hand and the value of the collateral accepted as security. Somewhat to his surprise the request was promptly granted, with the proviso, that all the moves made by the Discount Clerk in obtaining information be with tact and discretion.

Results obtained in Credits a stimulant to success.

The Loan Clerk starts in to analyze Credits.

This was a rather quick step into an unexplored field of analytical work. In a way it proved like a plunge—taking a header into credits—without training, without an advisor, without credit literature.

There at the time began the assembling of the bank's Credit Department. The first scrap of paper then went into the first file—that file was a single envelope. Today those files embrace thousands of names.

The first move to establish a Credit Department.

All of the credit data relative to the standing of the bank's customers or outside people in previous years had been lodged in the brain cells of the three officers of the bank. A statement of Assets and Liabilities offered voluntarily as basis for Credit at the bank in those days would have been a curiosity. Audited Statements were practically unknown.

It took every minute of the writer's spare time and a lot of overtime for a period of fifteen months to com-

plete the analysis of every line of discounted paper—such an analysis as one who had stumbled into credits would make—one who had need to be a crude pathfinder in breaking unknown soil.

Not a name among the bank's borrowers was permitted to pass until—with the limited knowledge given us we were satisfied of its worth.

High Spots
in Credit
Study.

Now comes the interesting part—the high spots in the record—spots that made the writer through all these years an enthusiast in credits:—the uncovering of three unsafe risks all of which were honeycombed with fraud.

Three
Crooked
Credits.

First Example: A line of credit of upwards of \$30,000 had been granted upon what had been represented as notes given for merchandise. This line had been discounted for and endorsed by a man of high social standing—for many years supposedly of good business standing. During those years quite a mass of genuinely good paper had passed through his account in the bank under discount.

First
Example.

In opening up the investigation of this line it became apparent that only a small percentage of the trade names entered were mentioned in the Commercial Agency Books. We first reported the absence of rating or name to the Board but advices came back that the customer who endorsed the paper was known to members of the Board as having means and that many concerns doing business in that merchandise trade were people of small means not likely to obtain a rating in the books. This seemed to satisfy some of the Staff but did not quiet the apprehension of an eager young discount clerk who wanted to know his credits.

To a Special Agency (not one of the regulars) we now passed on the names and addresses of all of the people either as makers or endorsers upon that line of discounted

paper, with the request that they return all information obtainable upon each name. As these advices came in in writing there unfolded an array of crookedness and fraud. The notes were drawn for odd sums and in amount from around \$500 to \$2,000. The first name reported upon by the Agency embraced several notes of a man recited to be the bookkeeper for the customer and endorser; the second name was that of the customer's drayman; then followed notes of his salesmen—then there remained a small batch of genuine paper and two lots of paper in two separate names for considerable sums, which the reporter stated were giving him a long chase. He added that both addresses given were private homes—that the people answering the door bell had evidently been cautioned "not to talk." They would state—"He does not live here." This news offered a new lead—it prompted taking from the maturity files every note discounted for this customer and a spreading out upon the desk of the notes of each maker. When the paper had been grouped—each maker in separate lots—it was revealed at a glance, that the two suspicious lots of paper were written in the same peculiar hand writing, even to the signatures upon the notes. Bank notices had been mailed to the addresses given in the notes and those notices had not been returned by the Post Office Department. It was plain from the hand writing that one of these two signatures must be a forgery or both were fictitious names (non-existent) and in that event both forgeries. These notes had been discounted one at a time and lodged under the due dates in the maturity files.

At this point the entire layout was passed to our Executive Officer for review. He sent for the customer—taking the precaution to close the office door when he had entered. The fraud was then laid before him. He was forced to admit the character of the paper. He sought at first to laugh it off with the statement

that "moves of that kind were made every day to raise money;" that "he would pay" both bogus and accommodation paper. He was given one week to pay off the line. He demurred, but the Executive Officer was firm. He then quickly promised to raise the money and lift the paper. The time was extended from week to week for several weeks before payment in full. He was not permitted to take up the forged paper until the other worthless paper had been paid.

Second
Example.

Second Example: In this instance a line of \$60,000 upon plain note was granted—the concern used its limit most of the time. Another local bank also had the account and granted an additional \$60,000—at that bank, too, they were steady borrowers.

The house had been manufacturing a staple for nearly a half century. In addition to the factory in the mill district—they maintained upon a prominent avenue of the city an attractive retail store where for many years a thrifty and somewhat ultra clientele had been trading.

The discount clerk approached this name timidly—the house had long been a landmark well and favorably known. They were rated well up. He rather haltingly requested one of the Agencies to make a report in detail of all information obtainable.

The report offered little that was definite—it generalized—it seemed to be leaning upon rather uncertain values—contingent resources outside the business—in figuring out the rating. These outside resources did not seem to the writer to be at the risk of the firm's obligation.

Puzzled, we went to our Executive Officer for counsel. He frankly admitted that the bank was without detail—was leaning upon the respectability of the house—its long time standing. He immediately wrote for a state-

ment. One of the firm called in response, read off a few items from a little pocket memorandum, and declined to give a statement in detail. The manner in which the request was received and the nature of the reply, did not appeal to our Staff. From that day information was sought wherever it could be discreetly obtained.

The records were searched—it was found the mortgage would take the buildings under forced sale. The machinery was discovered to be overworn, about ready to be scrapped. The member of the firm who had read from a pocket memorandum had given the machinery values at near a quarter million. It was disclosed that the private homes of the firm were covered by mortgage for all they would carry.

It was known that a large amount of paper was steadily sold through note broker. When an open market note fell due the broker sold another to pay the one due. Advices came to us that the concern had quite recently leased its overworn looms for the manufacture of an inferior article. Investigation uncovered that whereas they had for many years held an established high class retail trade, they were then experiencing keen competition from the department stores.

Then it was intimated that but one of the firm was attentive to the business, the others neglectful. After assembling this detail, a renewal of the paper was declined. The notes matured within sixty days at a season of the year when the concern's cash receipts from retail sales were at the peak. The loans were paid when due. Within another sixty days the house had made an assignment.

The other bank of deposit was so officially grouped at that time as to prevent intimate counseling together or cooperation in Credits. After the failure had been announced it became known that this second bank of deposit had taken on a portion of the line rejected by

ourselves. One institution had begun to analyze its credits—the other had not made a start.

**Third
Example.**

Third Example: The Note Clerk, sitting beside the writer, reported that nearly every day's mail from out-of-town correspondents brought in for collection one or more notes of \$5,000 each of "E. W. & Co." payable at another city bank.

Credits had become deeply interesting when this was reported. The bank held none of the paper owned by it, but the apparent large amount of paper outstanding seemed to need explanation. It was determined to make a try for an estimate of the sum of that paper and perchance see if underlying the situation there be not hidden an instructive credit study.

A tabulation of that concern's paper passing through the bank for the previous twelve months as a starting point was easily made. The total when assembled proved rather startling—having in mind over a score of other city bank Note Ticklers likely to contain notes of the house. Our Staff Management agreed to invite four other banks kindred in method into our confidence with a purpose to determine the aggregate of the paper collected through the five institutions for the twelve months. The other banks were eager to cooperate (two of these were buying the paper in considerable blocks as an investment through note broker). The total for the five banks when brought together proved convincing to the Staffs interested that "E. W. & Co." were making paper far beyond legitimate needs.

The five banks carried 40% of the out-of-town bank deposits from which this paper all came into Philadelphia for collection. It was therefore quite possible that the other Philadelphia banks holding the remaining 60% of the same class of deposits would carry a similar proportion of "E. W. & Co.'s" paper. The five banks agreed that if the ratio of "E. W. & Co.'s" paper held throughout

with other city banks receiving collection paper, the firm was creating Bills Payable for an astounding sum. Not until a year later did the crash come. Then it became known that accommodation paper in huge amounts for interests in another city had been floated over a wide area in open market.

In the foregoing examples three crooked lines of credit were uncovered. One bank Staff drew back into its strong cash box from two of these \$90,000 and in the other instance the same credit initiative saved two neighboring banks from loss and hung the danger signal out in five Credit Departments upon a name—involving at the time of failure upwards of \$2,000,000.

Money in
jeopardy
drawn back
into the
bank's
Strong box.

The gradual unfolding point after point in each of the foregoing risks until the final climax was revealed, proved intensely absorbing and created for the writer an enthusiasm for Credits which has remained with him down at the close of fifty years in service.

The unfolding
of these three
credits was
fascinating.

* * *

A fourth example coming to us just after the foregoing will evidence wherein we failed to uncover fraud in a line of discounts. The concern was a one man modest business, trading as printers and lithographers. The man came well introduced and seemed for a couple of years to be doing a snug little business. Small loans granted had been paid promptly. He was mingling with reputable people and gradually widening his influence.

A fourth
example
where a lapse
in the
analysis
caused a loss.

He called for a loan of \$3,000 at four months. He produced a good statement upon request, and gave plausible reasons for needing the money. He recited having sold his lithographic equipment to a strong house in Brooklyn—that he had accepted in settlement notes at six, twelve, eighteen and twenty-four months. He gave as collateral for the \$3,000 at four months the other long time highly rated paper alleged to have been re-

ceived in above settlement and for double the face of his loan. He further urged his ability to take up the loan when due. Before the maturity of his note he had left for parts unknown. The collateral paper deposited to secure his note was forged. Our Credit Department fell down in not sending a ticket notice to the makers of those collateral notes, in use at that time by banks in Philadelphia, adopted for optional use by the Clearing House of Philadelphia:

8-19 2000

A form of
notice
somewhat
obsolete but
of latter day
value.

This notice is sent in compliance with the following Resolution:

"Resolved, by the Associated Banks of the City of Philadelphia, that as soon as practicable after discounting paper for customers or others, notice of the maturity of such paper shall be sent to the maker or makers thereof, whether payable at Bank or elsewhere."

To JOHN DOE & CO.

Your Note for \$1500.00 is held as collateral by

THE CENTRAL NATIONAL BANK
OF PHILADELPHIA

AND WILL BE DUE AT

RITTENHOUSE BANK, BROOKLYN
May 27, 1903.

If the above notice had been sent a crook would have been trapped.

* * *

The Credit Man and the Credit Department:—

We here pass to The Credit Man and his Department, but need to point out the difficulty with which we contend in making a distinct separation of subjects in harmony with the titles here given. They are related and interrelated—they cross and recross—they link and interlink. You will pardon the inevitable trend—to touch more than once upon the same phase of a subject when needing to approach it from so many angles.

* * *

No bank of discount will be equipped without one or more trained men in credits upon the Official Staff. If the bank be one of magnitude, other junior men will need to be in training. The men who gain a real knowledge of credits will come up through study and industry—they will not be overnight products.

The trained
Credit
Official.

If the man in Credits has gained a place in his profession, we think you will find at the start in mental equipment he had the gift of analysis: Upon this talent he has builded his Credit equipment.

Junior bankers
should be in
training for
the Credit
Department.

The worth while credit man safeguards the property he represents—at times saving his bank or firm in a single year many times his compensation.

The credit
man who
knows may
save his bank
big money.

The allotment which falls to the credit man in bank or trade will not be the popular role. He will negative a percentage of the risks coming to him. Others upon the Staff may have given the borrower or purchaser the welcome hand. Others may succumb to the blandishments of the trader or the would-be borrower. To the man in Credits has fallen the exacting duty of picking the good from the bad. In doing so there often falls to him the added effort of convincing his associates against their wills. The flowers will not fall upon his desk.

The credit
man may not
seek
popularity.

The man grounded in Credits will know when to be liberal—when to be exact. He will make a revision of his likes and dislikes. He will form his credit opinion as free from bias as the chemist who gives you an opinion of the water from your well.

The flowers
do not always
fall to him.

The credit
opinion must
be free from
bias.

He will act at once, if a cloud settles down upon one of the bank's credit risks. He will not dally or temporize with it. He will be a live wire in seeking to save bank money.

Quick action
required to
meet a bad
situation.

He will want to do his own hard thinking—not follow a beaten track unless that track be the best. There may be times when he will need to open a new trail.

The Credit
Man a
reconstructionist.

There will be instances when he finds his loan so involved that he or his representative will need to go upon the Board of the embarrassed concern and aid in a constructive program, if he bring back his money.

He will be on dangerous ground if he overrate himself—he should not undervalue a carefully wrought out, well directed effort, provided he has proven himself.

The trained
credit man
at times a
tower of
strength.

The credit man should be to the safety of the business what the Look Out may be to the Ocean Liner. Some of these men in Credits stood like granite cliffs amid the stress of financial storms in panic times. They have rolled back impending disaster.

* * *

Examples
where swift
analysis had
to be made
to prevent
catastrophe.

Groups of the best of these men in our greater cities when badly managed banks have proven a menace, likely to precipitate a crisis—have received a hurry call to analyze the condition of institutions tottering toward suspension. They have forced the management at fault to deposit security covering lapses in management. Then with courage they have advised the more solid banks they represented to underwrite the line of deposits. By rare gift of judgment, by deft, swift moves made by these trained men in Credits the blow has fallen as upon soft velvet. Not until the danger had passed did the public know that financial calamity had knocked at the door of the community. This happening has occurred in more than one of our greater cities.

* * *

The trained
discreet credit,
man in the
trade and in
the bank-
comrades.

The Credit Man in the Bank and the Credit Man in the Trade long ago locked arms in arriving at the truth. There are hard pinches when the banker has analyzed his proposition up to a point where he has turned to his friends in the Trade for an opinion—men who have made a life study of their line—men whose sensitive trained finger tips touch the trade pulse at all seasons.

* * *

If the credit goes to the bad in either bank or trade all eyes focus upon the Chief in Credits—not an easy time for him.

The Pittsburgh *Credit Bulletin* says:

“When a plumber makes a mistake, he charges twice for it; when the lawyer makes a mistake, it may be just what he wanted, because he may try the case again; when the carpenter makes a mistake, it was expected, for he may not have learned his trade; when a doctor makes a mistake, he may bury it; when a judge makes a mistake it may become the law of the land; when a preacher makes a mistake a lot of people don't know the difference; when an electrician makes a mistake he blames it on the induction; but the credit man is not permitted to have an alibi.”

No Alibi for
the Credit
Man.

* * *

There are men in finance and banking who urge that the credit man should recognize that a bank may not operate without a modest loss in extending credit over a period of years and perform its full function as a commercial bank of discounts.

It must in any event be granted that a large percentage of the desirable business upon the banker's books today has come up from small beginnings. The little people do not always remain minor factors—they need proportionate loans and a lot of assistance by way of coaching and helpful advice. The banker needs, in instances where the customer appeals to his judgment, to carry the modest business to higher rank and larger bank balances. The depositor in turn—when his prosperous days come, unless he be a tightwad—will not forget the service rendered.

We need as
bankers to
aid the people
of minor
capital.

The sum of a bank's losses, however, should be kept at the minimum—they will prove an index, from year to year, in recording the character of the management.

Keep the
losses at a
minimum.

* * *

The Bank
Credit Man
needs to pass
upon a
diversified
schedule of
Credits in
the Greater
City.

Building and
Loan
Association
Credits.

The
Negative-
take the sting
out of it.

Follow the
trail far
back.

The Bank credit men in our major cities are called upon to pass upon credits in a multitude of diverse trades. For example, in Philadelphia there are manufactured products from carpet tacks to dreadnoughts. In one plant when running to capacity, eight to ten giant locomotives with tenders will be turned out for each day. From another plant a trolley or subway steel car is completed every sixty minutes. For each day in the year there will be thrown into the vats at one end of our factories upwards of a hundred thousand goat skins, brought in from all parts of the world, and at the other end there will go out in train load lots to all points of the compass the finest of finished black, tan and colored leathers. Hats, carpets, textiles of all varieties are the product of the mills. Nowhere is labor more skilled, thrifty or intelligent. There are said to be upwards of three hundred and fifty thousand individual homes occupied by artisans in the city proper (not counting suburbs)—homes purchased, owned and financed in the main through modest Credits extended by Building and Loan Associations, of which there are a legion in Philadelphia.

* * *

The Credit Staff Official who must say "no" to many credit appeals finds his task somewhat nerve racking. He may not like to give a negative reply. He will study the art of removing all disappointment or sting from his refusal. If he be tactful he may do this.

* * *

If a new customer drifts in or be introduced and the credit man knows little of his antecedents or previous record—if he be not satisfied with the information accessible, let him find the lead somewhere and follow the trail far back provided he thinks of taking on the account. The right type of intelligent would-be-customer will not mind the delay—he knows the bank in giving him credit and upholding his credit—no trifling

asset for him as one of its approved clientele—will need to know all about him.

Interesting information will be uncovered in following the trail far back, which may lead the bank to withhold credit and permit the saving of its trade friends by a word of caution passed on.

* * *

If your confidence in a line of credit weakens be on the watch for crooked moves. Now that the trade acceptance has come, our merchandise trade notes seem to be again upon the increase.

On the watch
for crooked
moves.

Losses through what may be offered as merchandise notes may creep in stealthily. All of this so-styled merchandise paper should be checked up—the larger notes by special correspondence or messenger. Do not lean solely upon the ratings in the Agency Books.

One of the dangers lies in having smuggled in to the line under the cloak of real business paper, weak or accommodation notes. You may be thrown off your guard by an over-confidence in your endorser. Take not anything for granted—look up the name upon the note, front and back, before you permit it to settle in your files.

Paper offered
for discount
under the
cloak of
business
paper.

If you discover the weak names in a line of discounts be increasing, let your analysis be the more thorough. Weak paper, accommodation paper, agents' paper, bogus paper and even forged paper has been uncovered in this class of risks. Concerns pushed for ready money adopt devices to deceive. A small consideration has been paid to irresponsible people for the use of their notes or for bogus notes—examples could be given.

* * *

If your suspicions are awakened relative to a line of discounts, bring your patience, your determination, to bear upon the analysis. Go into the proposition like the scientist would lodge beneath his glass a new discovery in insect life, to determine its origin.

If doubt
creeps into
a line let the
credit man
focus his best
effort upon
the analysis.

In making this analysis keep your eye upon the paid vouchers and watch the nature of deposits. Check the man up in and around his haunts—in the neighborhood where he be known. You may be mistaken in leaning upon his supposed strong endorsement. The upright man of means will not have recourse to tricky paper.

Benjamin Franklin said:—

“The most trifling actions that affect a man’s credit are to be regarded. The sound of the hammer at five in the morning or nine at night, heard by a creditor, makes him easy six months longer, but if he sees you at a billiard table or hears your voice in a tavern when you should be at work he sends for his money the next day.”

* * *

The man who wanted to open an account and obtain a line of credit was a bit too smooth.

The President of a corporation from a distant point stepped to our desk one morning and laid down his card. Then his Company’s Statement. Then a draft on New York for \$10,000. He then remarked, “Yours is a commercial bank—we would like to open an account for our company and obtain a line of credit.” The manner, the moves were part of a well laid plan—a bit overdone. The studied scheme, the absence of a letter of introduction easy to obtain, put us “on guard.” After a prolonged conversation relative to his business he was told that the situation would have to be reviewed by our Committee—that an outside checking would need to be made of his company—that he would be promptly advised of the Committee’s action. He seemed chagrined that he had not been taken at face value. The long distance phone connection obtained later disclosed that his credit was then strained—that a short period previous to his call, his company’s note had remained unpaid, under protest, for ten days in an interior bank.

* * *

Unusual moves outside of orthodox practice in financing should make the credit man alert to act.

The floating of "kited paper" for a commission has in the past proven a menace to credits. It may come again at any time. Watch for it. Here will follow two forms of letters similar to types used in an effort to float accommodation paper, under pretense of being given to cover a merchandise transaction:

"Kited"
paper—watch
for it.

"Mr. John Doe,
Philadelphia.

Dear Sir:

Owing to the difficulty of obtaining the discount of single name paper, we make the offer to help you if you need us.

We have clients rated above \$50,000 who desire to exchange their paper with other houses rated as high as theirs. For example, one of our customers writes a note to your order—you write a note to his order—for same amount and of same date and time. You exchange these notes—both agree to pay their respective paper when due—each maker obtains the discount of the other's note at his bank of deposit. This trade in notes has been very helpful to business men at times.

Hoping to make a start which shall prove attractive to you, we are

Very truly,
M. A. COURTNEY & Co."

Second letter:

"Mr. Richard Doe,
Chicago, Illinois.

Dear Sir:

Your reply relative to a leather company to hand. We can use this paper for a client—a good company rated \$250,000 and up. We can not disclose the name at this point in the negotiation. We want to borrow \$40,000 in four months promissory notes made by a leather house—these notes will be exchanged for notes of our customer. The standing of your party will not be investigated. We will pay for the loan of the notes \$400.00. If you are in a position to do business with us wire and we will come to your city to talk it over. In that event you should have the notes signed in blank and be prepared to deliver same to us.

Please answer at once.

Very truly,
ECKFORD & TRACY."

To prevent practices of this type being applied to the merchandise trade acceptance—bank credit men will need to be watchful. Statutes should be enacted in our

States making it criminal to use kited acceptances or notes. With the increase in trade acceptances, this type of fraud is not unlikely to creep in.

No business house of character would give audience to a proposition like unto the foregoing unless it be to trap the principals into a criminal court.

* * *

The Flood of
names
reaching the
City Bank
Credit
Department
for daily
checking.

A flood of names come to the desks of the Credit Chief in our greater cities to be checked up. The more important of these will need to come under his personal direction. Others may be passed on to carefully selected—more carefully coached—assistants. Many of these names will be for the inner and more intimate use of the bank itself—the safety of its business may depend upon this information—it must be air-tight and water-tight. Then there will be needed a mass of local information forming the basis for numerous replies to be written daily in response to out-of-town credit inquiries.

* * *

Do not lean
upon
an unknown
or weak
opinion.

Approach
a valued
channel of
informati
with proper
credentials.

In seeking a credit opinion you will want a worth while honest estimate of the name you are investigating. To obtain that opinion you or your bank or both will need to have gained the confidence of the channel interviewed.

You will need to have previously established that confidence—you may have been fortunate in having served them well in credits—or you may need to satisfy them that you will protect their advices. You may require a letter of introduction from people higher up in your organization—you may need to obtain a letter from a strong outside factory or merchandise man among your trade friends to secure what you want.

Ninety per cent. of the work will be done in checking a name when you have picked, listed and made accessible the real channels of information affording you an honest capable opinion.

To approach a source of information not competent to properly balance credits, is dangerous—that means to deliberately deceive yourselves. To have the ability to discover the man who knows—then to enjoy, to safeguard his confidence is a valuable asset. It may prove a gold key to many doors opening to credit success.

It is easy to obtain a mere opinion—it will require skillful tact supported by character to obtain the opinion which shall open to the kernel of the problem.

In leaning largely upon scattered advices the Credit Official will need to sift the wheat of balanced opinion from the husks of settled prejudice—to throw aside the opinion which may evidence having scratched but the surface.

If, as a stranger, you seek to interview the man able to give you a valued credit opinion—without proper credentials—you may not gain an audience. If he invites you to a seat he will be cautious in advising you—more than likely he will give you a surface estimate—keeping his worth while opinion for the man who does not hold it lightly.

After you have had experience in Credits you may not find it hard to pick from your bank's list of esteemed customers or from friendly outside trade people—men who will give a well digested credit opinion—or if not, they will put you in touch with trade men who will be equipped to favor you.

The credit man recognizes that new conditions in these latter times force him to recast his selection of the men upon whose opinion he may place a value. In instances where he may not reach those men in person, or through his proven representative, he will write or wire for the opinion he seeks and ask for “long distance” reply—with no names mentioned over the wire.

The opinion of the bank where the account may be lodged should be the most illuminating opinion accessible

Lean hard
upon your
proven trade
friends for a
credit
opinion.

Lean hard upon the credit opinion of the bank having the account only when you have full confidence in the management.

to you but it will not always be safe to so regard it. Its value will depend upon how close you may be to the management of that institution—it will depend upon the character, training and ability in the management if you obtain the type of opinion you seek. You will accept the opinion of some institutions readily, others with caution, others guardedly as a sidelight—to be double-riveted before acceptance. The bank credit man must balance the opinion coming from the bank or trust company of deposit along with other opinions and determine how far he shall have faith in it.

* * *

The type of man to solicit credit opinions upon the street.

The problem of who shall go upon the street to solicit credit information is a vital one. He should have mental balance, good manner, be tactful, not inquisitorial—yet able to obtain the desired opinion. He should be a pleasant man to meet. He should surely carry himself upon the initial visit and all visits to the man of affairs who may receive him—in a way that will cause that man to want to see him again. If he be a bit forward in manner or inquisitorial in method, too talkative—he will not last long as an outside man. We have known young men to be discredited upon their first call—they had to be taken off the street.

* * *

Watch your channels of information.

If we seem to lay undue emphasis upon “channels of credit information,” please remember that this first step in obtaining credit information is absolutely vital to the credit problem. We urge that this factor be permitted to lodge deep. To accept information from a doubtful source little known to you is like calling in an unknown doctor when you need a specialist of reputation.

* * *

Reciprocity in credits will obtain between Credit Officials of character. Individuals putting forward a "good front" have crept into official credit work in spots—men who have sought to obtain valued opinions from other channels without giving in return—they did not last.

An interchange of credit opinions should only obtain between men of character.

Another type—we are glad to say not numerous—has posed as having a knowledge of credits, but were really business getters—ready to use credit information given in good faith—to go after the account for themselves. The experienced credit man will force this individual to make his visit of inquiry short.

* * *

In checking paper offered by note broker where the maker of the note be located at a distance—the checking to be made by correspondence—the same careful weighing of bank connections and trade houses from which an opinion by letter may be sought must be given to the selection. Here again you will want the opinion of the man who knows his Credits.

No problem of this revision in Credits puzzles the writer like that of advising or cautioning his young credit friends relative to the latter day changing methods of initial procedure incident to determining the value of commercial paper offered for purchase in open market.

The initial moves incident to checking open market commercial paper need to be made with great care.

Looking backward ten to fifteen years—there were men of well known credit abilities in all our cities, paper buyers, who gave to Credits their best effort. Of that group, some have reached the age limit and retired, others have been so loaded down or buried beneath the bank merger epidemic that Credits have been pushed aside. A chain of new men have taken their places only to be quickly replaced by other understudies. The trend of the times—the spirit of change has been so rapid moving that an acquaintance may hardly be established between bank men in Credits, when new

understudies take their place. The new man may ultimately prove better equipped than his predecessor but he is untried—the trying out process may not be proven overnight.

The
percentage of
good men
who may
qualify in
credits.

The percentage of good men in Credits who will qualify among the newer students should be larger than in the earlier days in bank Credits. The number who enter Credits has multiplied—the facility for credit education has increased—the demand for trained credit men has widened—the compensation offered credit men has been more liberal.

If a mark of approval be put upon the open market commercial paper Credits sold by broker we must know the channels from which credit information comes.

Three
suggestions
for purchasing
open market
paper.

If the writer was called upon to buy paper in these days, for a bank, he would want:—

First: An Audited Statement, with close knowledge of the Auditors and what the audit covered.

Second: That the purchase be made from Note Brokers of financial strength—houses known to maintain superior credit departments—under management more than keen to keep out a name that may be discredited. The paper buyer will have a more well defined protection against loss in confining his purchases to brokers of this type. Is it not in line with fairness and good practice that houses seeking to sell the credit of mercantile concerns for a commission in open market and who insist upon signed statements of Assets and Liabilities from those concerns—shall likewise for themselves furnish signed statements of Resources and Liabilities, to both paper maker and paper buyer? Is it not within reason that the merchant or manufacturer who makes the note as well as the banker who buys it shall know the responsibility of the Note Broker who desires to sell the note, and his ability in Resources to finance his trade customer through pinch or perilous times? We think so!

Third: Let the paper buying bank establish a group of men in separate cities and in his immediate city in whose checkings he will have full confidence. It can be done by hard thinking—a close look-over. He will want to have in the list—a strong percentage of trade merchandise friends upon whose opinion he will lean—not bankers only. Where one falls out of the chain a new link must be forged.

Accepting a mere opinion from an institution operating for magnitude, in which efficiency has been lost in massing big business, in which personal touch has been almost eliminated—accepting in reply the bank letter head with an unknown signature appended—accepting an opinion analyzed and drafted by unknown understudies as a basis for loaning money, is too uncertain to be safe.

* * *

There will be times when you may need to have the opinion of a comparative stranger or bank little known to you, when you will be willing to accept that opinion as a sidelight or part of "the setting" which shall influence you in finally determining the credit. As an aid in framing an important credit letter inquiry to a stranger, it will prove helpful for the writer to have in mind a mental conception of the recipient's attitude toward the letter writer and toward the subject of that letter. Would the man at the far end be frigid or friendly—may you be able to so draft your part of the correspondence that you touch his mellow side and gain a worth while opinion frankly expressed?

Opinions as
sidelights.

Vision the
mind and
attitude of
the man to
whom you
write, if you
may.

In conducting a correspondence in Credit Inquiry it will be possible to so politely and humanly couch your letter that the one from whom you seek information will think you have done him a favor in asking his opinion. We have seen this proven.

There will not be many who will fail to reply to a

It is possible
to turn the
most difficult
corner in
letter writing.

letter of tactful inquiry. There will be a way to awaken at the other end—the man's interest in your subject, even in you.

Study the art of letter writing. You may seem to be at the end of the road—against a stone wall, in pursuit of what you want by letter—the most difficult of corners may be turned by the man—tactful.

Confidential
advice should
be most
carefully
guarded.

Confidential advice so emphasized once they be obtained should be guarded—earmarked in a manner so that the people in the Credit Department shall unfailingly respect the conditions under which credit opinion has been given.

The
acknowledg-
ment of
credit favors.

When you have been served at substantial pains by the man of affairs who has written you—putting a bit of himself into the letter—a proper acknowledgment in a word of appreciation containing a personal touch is due him. It may open the door a little wider the next time.

Credit forms—
are they
worth while?

We write this knowing there are mammoth machine credit departments where credit forms of inquiry are sent out and where acknowledgments by credit forms or where no acknowledgments are made. We venture the statement that the character of the reply given to form inquiries is as near worthless for real service as may be. If you are replying to a clumsy form inquiry from a big commercial machine which neither knows how to put out a credit inquiry nor make human acknowledgment, are you likely to tax your gray matter over the task? Hardly. That being the case why waste time to conduct such a correspondence?

* * *

Letter writing.

The young men just starting in Credits or business will want to cultivate the best that may be given them in letter writing. One of the charms of the business letter is that no two write alike. If the credit student

finds letter writing a bit puzzling at first, let him drop the pen—take to dictation—he will be surprised how rapidly his equipment will expand.

The half-dozen specimen letters here given are only offered as formulating an idea—giving a start to the younger men in academic credits. Other types of letters may prove more acceptable.

No. 1—Letter of inquiry to recheck a name thought to be strong—to a bank known to the inquirer:

“My dear Mr. Doe:

We are today rechecking an optional purchase of the paper of Everett Middleton & Co. Will you favor us with your estimate of the note, looking at it from the angle of buying as an asset for yourselves. The paper has been represented to us as “prime”—would you so rank it?

An intimate opinion will be valued and the same type of opinion will be yours when you care to use us.

Very truly,
CHARLES WHITNEY,
Vice-President.”

Types of
letters offered
as an aid to
the younger
men.

No. 2—Letter relative to a concern not regarded as over strong—to a bank but little known to the inquirer but for good reasons that particular opinion is wanted. The inquiring bank may be asked to take on the account:

“Mr. Edward Doe, Vice-President,
Dear Sir:

We are seeking a close estimate of the responsibility and standing of Willis Wilkinson & Co. We think they will be well known to you. Their statement at long range would indicate they could use more working capital. Their earnings as given for the last three years do not point to large prosperity.

May we have in a few lines your confidential opinion of the entire setting circling the risk. Your advices will be safeguarded here and our best will be yours in return.

Very truly,
CHARLES WHITNEY,
Vice-President.”

Letters of
Inquiry.

No. 3—Letter to a bank where the relations are intimate relative to a concern with a big debt:

"Dear Mr. Doe:

We are offered the paper of Fell, Brock & Co. The statement runs into seven figures and seems fairly well balanced but the large debt to be placed steadily by the note broker or taken over by their banks of deposit seems rather appalling to those so far away. We know the turn over is rapid—that they handle a product in volume requiring large capital.

Would you buy it for your bank strong box if in need of paper?

Awaiting opportunity to serve you, we are

Very truly,

CHARLES WHITNEY,
Vice-President."

No. 4—Letter relative to a merchandise credit for a trade depositor—written to a transient trade house of standing to draw out the local estimate:

"Mr. John Doe, Treasurer,
Wilkins Manufacturing Co.

Dear Sir:

Knowing of your standing we ask the favor of your opinion relative to the responsibility and safety of a trade credit for say \$12,000 to the Westervelt Manufacturing Co., of your locality. Customers of ours are solicited to sell them for the sum named.

Our friends here have requested the W. M. Co. to give them a statement. In your judgment may they place full reliance upon that schedule when received?

Our customer could not afford to be tied up with a slow account of this size but should be well able to carry out his contract and deliver this machine provided his payments from the Company are made when due.

Will you kindly give us your frank opinion of the risk—such an opinion as awaits you here should you care to use us.

Very truly,

CHARLES WHITNEY,
Vice-President."

No. 5—Letter relative to the value of a new stock issue and the people who are seeking to place it a long distance from home. It is quite urgent that the real situation be uncovered to protect inexperienced local investors:

"Mr. John Doe, President,
Dear Sir:

Friends of ours here are solicited by letters that bear the earmarks of having been carefully prepared to subscribe to stock in the Titcomb Pulp & Paper Co.

These letters are rather unusual in their construction and the pleasing costly style adopted—the turkey red and the ebony black, in the type arrangement, and in the ultra stationery used.

Taken as a whole the layout is rather fetching and seems to appeal to the women, to whom it is more particularly addressed.

The letters come from one Thornton Woodruff whose signature is as artistic as his letters. Will you do our good people here the service of letting us in upon the real situation—giving frankly your view of the outlook for this company, its environment, as well as your opinion of T. W. as a factor in the management?

We are strangers to you and you may be reluctant to write plainly, but we assure you that your advices will be discreetly guarded and information passed to close friends here will be with caution—its source withheld.

We are sure that you will join with us in this confidential way in warning the innocent against a dangerous exploitation, provided, as we half suspect, this layout be in that class.

Please treat this inquiry as for your eye only.

You may need a similar service here in Philadelphia; if so, our best awaits you.

Very truly,

CHARLES WHITNEY,
Vice-President."

Letters written in reply to a request for credit information may be more condensed. They will be framed in harmony with your training, experience and mental equipment. They should be with certainty earmarked as confidential information given without responsibility accruing to the writer or his bank.

In the preparation of these letters your ability to analyze and your taste in letter writing will be in evidence. One man will be full in his replies, giving needless detail; another will cover the request effectively in a few lines.

The younger men in Credits are inclined to write too much—they do not save themselves nor their correspondent. Here is where the finer letter writing comes in—where

Letters written
in response
to Credit
Inquiry.

the writer may want to make you wise to the situation but not recite facts he might be willing to give you in a face to face interview. You may be suspicious of the motive of the writer—you may frame your reply with caution.

One of the rare replies in a class by itself made to a credit inquiry is said to have been written by that many-sided man, Abraham Lincoln, when a back-country lawyer—he was requested by an Eastern client to give an opinion of the financial strength and character of a man in his town—that letter read:

A worth while
reply.

"Dear Sir:

Yours of the 10th inst. received. I am well acquainted with the gentleman named, and know his circumstances. First of all, he has a wife and baby; together they ought to be worth \$50,000 to any man. Then he has an office, in which there is a table worth \$1.50 and three chairs, worth, say, \$1.00. Last of all, there is in one corner a rat-hole, which will bear looking into.

Respectfully,

ABRAHAM LINCOLN."

The types of credit replies to credit inquiries offered here are not presented as having special excellence, but for the benefit of junior men in their academic study. Trained men in credits may readily suggest other types for their purpose more serviceable.

No. 1—Relative to a strong house, written to a strong bank:

ALL PERSONS ARE INFORMED THAT ANY STATEMENT ON THE PART OF THIS BANK OR ANY OF ITS OFFICERS, AS TO THE RESPONSIBILITY OR STANDING OF ANY PERSON, FIRM OR CORPORATION, OR AS TO THE VALUE OF ANY PROPERTY OR SECURITIES, IS A PURE MATTER OF OPINION, AND GIVEN AS SUCH, AND SOLELY AS A MATTER OF COURTESY AND FOR WHICH NO RESPONSIBILITY IN ANY WAY IS TO ATTACH TO THIS BANK OR ANY OF ITS OFFICERS.

"My dear Mr. Doe:

The house named in yours of yesterday ranks deservedly high in this city. They are customers of ours. We would be pleased to give them a round amount of accommodation should they care to use us, which occurs at rare intervals. They are season borrowers. Their audited statement shows large liquid assets. They use cost sheets and at all times know their condition and their profit. The entire setting evidences character.

As a paper purchase, we would style the name "prime."

Always a pleasure to serve your people.

Very truly,

CHARLES WHITNEY,
Vice-President."

No. 2—Relative to a crook—to a close friendly bank:

ALL PERSONS ARE INFORMED THAT ANY STATEMENT ON THE PART OF THIS BANK OR ANY OF ITS OFFICERS, AS TO THE RESPONSIBILITY OR STANDING OF ANY PERSON, FIRM OR CORPORATION, OR AS TO THE VALUE OF ANY PROPERTY OR SECURITIES, IS A MERE MATTER OF OPINION, AND GIVEN AS SUCH, AND SOLELY AS A MATTER OF COURTESY, AND FOR WHICH NO RESPONSIBILITY IN ANY WAY IS TO ATTACH TO THIS BANK OR ANY OF ITS OFFICERS.

"My dear Mr. Doe:

Referring to yours of the 12th advices have come to us concerning the party you name alleging conditions which would lead us to move with extreme caution in any transaction with him.

If we were forced to trade—our end would need to be copper-riveted or supported by security.

We have written frankly, knowing that you will more than carefully guard these advices.

Remembering your courtesies to us, gives added pleasure in serving you.

Very truly,

CHARLES WHITNEY,
Vice-President."

No. 3—Relative to a somewhat doubtful risk, to a bank without credit facilities, leaning hard upon its city correspondent:

ALL PERSONS ARE INFORMED THAT ANY STATEMENT ON THE PART OF THIS BANK OR ANY OF ITS OFFICERS, AS TO THE RESPONSIBILITY OR STANDING OF ANY PERSON, FIRM OR CORPORATION, OR AS TO THE VALUE OF ANY PROPERTY OR SECURITIES, IS A MERE MATTER OF OPINION, AND GIVEN AS SUCH, AND SOLELY AS A MATTER OF COURTESY, AND FOR WHICH NO RESPONSIBILITY IN ANY WAY IS TO ATTACH TO THIS BANK OR ANY OF ITS OFFICERS.

"My dear Mr. Doe:

Relative to the people named in yours of yesterday, the question marks in your letter call for a rather full reply.

They have always met their obligations here. You will note in comparison with previous statements a steady drop in the proportion of quick assets to debts. The item of Plant Account is an "equity"—the property is mortgaged for a sum close to full value. You will see a liability given as Debenture Bonds—these are long time Bills Payable—no special security back of them. In the event of commercial accident the short time paper offered to you would share equally with these debentures under distribution. Throwing the debentures in with Bills Payable brings the ratio of quick assets to debts, exclusive of the mortgage, down to about one for one.

The note would not be an attractive purchase to us.

Pardon so long a letter but your questions called for reply.

We are pleased to serve you.

Very truly,

CHARLES WHITNEY,
Vice-President."

No. 4—Relative to a house with a large debt but believed to be a safe risk—to a bank of strength and standing:

"My dear Sir:

Replying to your letter, we do purchase the paper you name even when, as you state, the debt seems large. This is their active season. We happen to know the management—believe them men of character, with exceptional ability.

As an offset to the large indebtedness, they handle a quick selling product, their turn over is rapid—we have confidence they would prove well able to meet every commitment. They have demonstrated their ability to quickly snug up in financial pinches in money. We buy the paper when in funds for ourselves.

Appreciating the opportunity to be of service to your good bank, we are

Very truly,

CHARLES WHITNEY,
Vice-President."

* * *

To write a letter containing unpleasant news and not give offense, but make it effective—to turn a sharp and dangerous corner in letter writing is an art. The skilled letter writer may do it.

The Kansas City Credit Men's Bulletin says of the business letter:—

"The writing of a good letter is one of the finest arts in business. It comes with the development of the man. To convince and not dissuade, to attract and not repel, to please and not offend involves the mastery of self—the fine art of expression. The letter is the measure of the man. His character shines through.

You gain friends in proportion to the bigness of your nature—charity towards your fellow man is a positive attribute. Your letters are wholesome advertisements making friends for your firm or repulsive circulars making business for your competitor.

Letter writing is a matter of training and character development. The short-visioned, unprincipled and ungracious man will write the letters you would expect—the happy, big-souled, big-minded man of large experience and character will write letters that impel trade."

ALL PERSONS ARE INFORMED THAT ANY STATEMENT ON THE PART OF THIS BANK OR ANY OF ITS OFFICERS, AS TO THE RESPONSIBILITY OR STANDING OF ANY PERSON, FIRM OR CORPORATION, OR AS TO THE VALUE OF ANY PROPERTY OR SECURITIES, IS A PURE MATTER OF OPINION, AND GIVEN AS SUCH, AND SOLELY AS A MATTER OF COURTESY, AND FOR WHICH NO RESPONSIBILITY IN ANY WAY IS TO ATTACH TO THIS BANK OR ANY OF ITS OFFICERS.

The tactful letter writer may turn a sharp corner neatly.

The Business Letter.

The Bulletin of the National Credit Men's Association offers the following:

"Said a business man the other day: 'I would not stop doing business with that house for the reason that it would deprive me of the correspondence that originates with that concern. I never saw such letters and particularly when the house has a fault to find or criticism to make. I get from those letters telling points that I am able to pass along to my trade. The concern unconsciously sets an ideal before me how to handle my business—gives me advertising points without charge—makes me feel that there is something more in trade than mere bartering and shaving off profits.' The business man knows that there is nothing overdrawn in this incident; he knows that he cannot give too much thought to his correspondence. There should be nothing mechanical about it. It should be vitalized, every bit of it, with the human spark; it should speak fairness judgment, enthusiasm, confidence in its expressions."

* * *

With the continued growth of Credit Departments to the point where, in instances, they evidence rigidity of form, mechanical in method, clumsiness in service—to the point where you seem twenty times removed from the opinion of the man you seek—the one who knows—you may think it advisable to build up a picked list of names to be interviewed—send your representative in person to obtain through personal touch the information you seek.

A picked list of men to be interviewed personally.

The contact interview is always the best method when it may be had. In the face to face interview the man giving you information—if he has confidence in you—will say much by the way of detail, in frankness, that he would not incorporate in a letter.

The contact interview the best.

See the man whose opinion you want, in person, if possible—if the matter be vital to your bank, make it possible.

* * *

Mr. W. A. Prendergast, in his treatise on "Credit and Its Uses" says:—

"An incident may occur in the relations of a bank with a borrower to which little importance may be ascribed at the time, but if promptly noted upon the records of the Credit Department, may in after years, if considered in connection with some new development, have a decided bearing upon the judgment which the officer will then form as to the standing of an applicant for credit."

We endorse Mr. Prendergast in the foregoing, from personal experience.

* * *

Groups of men kindred in purpose and principle should study together.

Groups of Junior Credit Men in active service, kindred in purpose, in principle, should be closely united for mutual study, research and helpfulness. They will find it profitable to meet about the round table at stated periods for an interchange, a discussion of the factors which make for safe Credits—the principles involved—the analysis of statements—"the settings" which environ and illuminate the risk—in scores of educatory ways they will broaden their knowledge of Credits.

They will discuss Character.

They will take up Character—discuss it from all angles especially where the credit be large. They will realize in checking the character side of new business offered or solicited that close information should be had not only from references given, from friends of the house, but from unbiased outside channels.

They will discuss Capacity.

They will discuss Capacity at these table talks—seeking to measure the borrower's ability to manufacture, to sell, to finance. All three factors vital to success and safety. If the banker be uncertain of the borrower's technical ability to manufacture or doubtful of his vision or equipment in selling, he will quietly consult with expert friends in the trade, in this way gaining an opinion of the proper methods. If the borrower lacks in financial ability, it becomes the banker to educate, to guide him.

They will, at those table talks, analyze Earnings as related to the credit, striking an average for the years—an index to the measure of success attained, suggestive of the timber in the Staff of Management. The percentage earned upon Net Worth, upon the total of sales made will have their lessons. It will be noted, if withdrawals or dividends or overhead in official salaries jeopardize the bank loans. It should be taken into the account, if the borrower's banks be choked to the limit and large sums floated in open market—that condition uncovered not unlikely implies strained credit.

They will
discuss
Earnings.

They will take up and discuss at those table talks the Selling Organization, the Selling Methods—both are vital to success. If the banker, from inexperience in trade lines, be not sure of these factors, he should turn again to his expert friends in trade for their opinions.

They will
discuss
Selling
Methods
and
Organisation.

They will discuss at that table Cost Systems—seek to aid and urge their manufacturers to establish cost sheets whereby they may know at all times if they be operating at a profit. The manufacturer with a vision will surely want to know from week to week the profit he may be making upon the product passing through his machines. Just prior to the war the banker had made a start in pointing out to his manufacturing customers the vital need of determining costs. Cost sheets are in use today in up-to-date plants but too many war problems, a scarcity of labor under war pressure, prevented others from seeking methods of arriving at costs. Numerous business failures occurring in the past would have been halted had the manufacturer or his banker known the costs.

They will
discuss
Cost Systems.

They will take up at that round table the discussion of Audits and Auditors. The banker will want an Audit by men in whom he has confidence. He will want to know the Auditor—exactly what the audit covers. Cost Systems and proper audits may prove twin life preservers for the business man, for his banker.

They will
discuss
Audits and
Auditors.

They will
discuss the
Ratio of
Quick Assets
to Debts.

They will discuss at that table the Proportion of Quick Assets to Debts. During war times the safer ratios have been shot to pieces—the banker will prove derelict to the interests of his customer—to both merchant and manufacturer as well as his bank—if he does not tactfully, with quiet force, urge the restoration to the former safe proportions of two for one and upwards.

They will
discuss
Merchandise.

They will thresh out in those table talks the item of Merchandise in general and in concrete examples, having in mind the abnormal stocks forced upon the manufacturer by the sudden close of the war. They will want a sub-division of the item into raw stock, material in the machines, finished goods. They will want to note the sum total—if it be conservatively inventoried—if the inventory has been checked by approved accountants—if it be staple, fanciful, slow moving, or contain dead stock.

They will
discuss
Plant Account.

They will take up at the round table, Plant Account—they will want to know: Is it mortgaged? What does the mortgage cover? When is the mortgage due? Is there margin of value above the mortgage? Would the mortgage take the plant under forced liquidation? What are assessed values? What would be replacement values? Do not accept appraisal values except as providing detailed schedules for insurance or tax purposes. If your borrower has had his Plant appraised, has marked up values in his statement—keep your eye upon the situation—it is not a good credit omen for either merchant, manufacturer or banker to deceive himself in lodging values upon his books that may not be realized under liquidation. One of the Bank Credit Staff should visit all plants at intervals—look the situation over with care.

They will
discuss
Insurance—
its types.

The group at that round table will seek to measure the value in types of insurance—fire, life, accident, tornado, use and occupancy, credit insurance—the relation they bear to each separate risk.

The value of life insurance for partnerships where dissolution occurs upon the death of a member. Where a young depositor, a trader, full of energy, with little capital, wants the bank to help him but must protect its loans to him against his death. Where a corporation wants to hold a keyman to the organization, when others may be steadily making him discontented by offers to detach him, it has been regarded as good business to take out a liberal policy of insurance upon the man's life—the company paying the premium—the principal to go to the wife and family in the event of death while in the company's service—a policy so financed may win over the wife to favor the company, thereby removing discontent in the man.

They will discuss Partnerships at that table—the phases involved. They will emphasize the importance to the banker in knowing the terms of these Agreements.

They will
discuss
Partnerships.

What may happen upon the death of a member? What may happen upon dissolution by limitation? Will dissolution occur upon the death of a member? What moves should be made by the bank or its counsel to protect loans in the event of the decease of a partner?

It should be strongly emphasized in those table talks as a cardinal basic need—that the Credit Chief in the Department must be eternally upon the alert to uncover every factor which may affect his Credits. An unexplained, obscure or unsettled item in the statement or a cloud upon the environment of the risk brought to the attention of a member of the Official or Credit Staff must not be lost sight of for a moment—must not be buried in the files. Any point of danger developing or uncovered in the management, in the setting, of a credit extended, must be kept right at the front until its import be “whipped out” to a finish, until the actual facts or conditions be known. Let there not be procrastination or temporizing when a credit seems in danger. If the

They will
finally
determine
that the
Credit Man
must always
be upon
guard.

Credit Chief can not follow and keep up with all of the factors which need to be threshed out, he must have a representative of untiring vigilance under him who will perform that duty.

Factors the group will not discuss at that round table.

This group of Junior Credit Men meeting around the table at intervals will not discuss there the credit risks upon the books of the banks they represent, either in concrete or by name unless it be with the consent of the bank management. Surely not—if it may have happened that a representative of an institution (of a type not numerous) earning the reputation for going after every bank's picked clientele—may have gained a temporary seat at that table.

* * *

It will broaden the bank credit man if he shall visit credit men in other sections of the country. Five minutes' talk with an honest student of Credits anywhere can not fail to be of profit.

* * *

Economy of time very needful for the Credit Man.

Economy of time, its right division, an important requisite for the credit man. He must put in his effort where it may count the most. He must lodge with others the lesser routine that it not accumulate. He must have a measure of free mind from minor detail if he be able to give his best to the greater problems which require his analysis.

* * *

Your Note Book—always at hand.

It may seem like introducing "Kindergarten" here to suggest that the man in Credits always have with him, that he make free use of his handy note book. A seed thought—a bit of credit news overheard or dropped in his ear upon the train—a paragraph in the daily paper,

trade journal, the news bulletin—in dozens of forms and channels there will come to his trained ear bits of information which illuminate Credits. Some of these he will want to follow up—others lodge in his files.

* * *

There may be times when you will need to grant additional time upon a loan you want paid. If so, you may find an advantage in a demand note—provided you keep after the maker and demand payments on account. If you want the amount paid quickly but need to be tactful—if you want to avoid precipitating hazard—you may make the loan thirty to sixty days, insisting upon fair payments on account at each renewal. If the risk be drifting rapidly toward a crisis the demand obligation may permit of charging your note against existing funds to the credit of the debtor when the crash comes.

The advantages of a demand or short time note.

* * *

The younger men in credit should under no circumstances discuss the bank's credit risks with outsiders, except they be authorized by Senior Men how far they be at liberty to so discuss. Harm may come to the man who errs in this respect—more harm may come to the bank. The exact attitude of the Seniors upon the Staff—for good reasons—as related to certain credit risks, may be decidedly different from the surface opinion held by the Junior men—there may be potent reasons why the Seniors may not be ready to disclose what they know.

Factors the Junior Men in the Department should not discuss outside.

We have examples in mind where young men holding confidential relations to credits have disregarded this trust, thereby ruining their chances of advancement—causing embarrassment to their institutions.

* * *

The Official
Credit
viewpoint will
need to be
broad.

If the man in credits in charge of the department be not an officer of the bank, if he be looking toward advancement upon the Staff, he should seek to form his estimates in credits upon a basis likely to govern the Official attitude toward the bank's customers. He should mentally seek to measure the attitude of the Staff Officer in Credits. The Official viewpoint will be a broad one, embracing a safe elasticity of action—not too rigid. He will not throw out of the bank good business provided certain non-essentials sought by the credit understudies have not come in. Tactfulness enters here.

* * *

Points of law
card indexed.

The principles of law, the statutes relating to commercial practice will prove of value to the credit man in bank or firm.

A card index of law points or decisions coming to the notice of the Credit Man or his associates may be of value in safeguarding credits—a useful tool for reference. A codification of the Negotiable Instruments Law with notations relative thereto filed in the card index may be of service.

* * *

Watch the
recorded sales
of inactive
stocks of
corporations
holding loans
from your
bank.

A sidelight upon Credits will be the recorded sales of inactive stocks of corporations holding loans from the bank. These sales may occur at the local stock exchange or at auction. Instances are recorded where "wash sales" may be listed of securities of concerns, heavy borrowers, about town—those "sales" recorded may be far above actual values—at "pegged" prices—to obtain, to retain for the borrowing company a standing to which it be not entitled—to falsely support its loans with collateral—at prices manipulated in the sales market.

The first suspicious circumstances for the credit man relating to a risk held by the bank has been the sale of a large block of stock of a borrowing corporation at prices lower than he would have supposed possible—an

indication that conditions beneath the surface were shifting—needing investigation.

* * *

Keep advised of the local names going to protest, provided the channels open to you. A word of advance information relative to what may be happening may save you or your friends. There are ways in which to avail yourselves of such advices.

Watch the names going to protest from day to day.

* * *

To the bank credit man may fall the duty of analyzing the condition of the numerous banks in which his institution may carry collection balances—some of these balances may be of magnitude. His bank may make a loss quickly through the failure of a bank where debit balances be carried steadily. This analysis of debit balances is as important as the inlook upon commercial credits granted—it should be made at least half-yearly. Dividends from failed banks come slow at times—not all bank failures ultimately pay 100%—payments in forced bank liquidations have covered a full decade before the final dividend.

The Banker should analyze the banks holding collection balance from him.

The analysis of borrowing banks is quite as vital as that of trade borrowers—here again statements should be paralleled, closely watched.

Borrowing banks should be subject to close analysis.

* * *

In buying or discounting paper, if it be a one man concern, if the individual be of advanced age, in poor health, it is well to remember, in the event of his decease your funds may be tied up for a long time. When open to this criticism the house should arrange for a satisfactory continuance of the business by taking in a partner—or in having the will drawn to provide for a continuance—failing in these, then to cover the bank loan with a life insurance policy or collateral.

A one man business should be so organized that no interruption may occur in the event of his decease.

* * *

The banker
should not
loan his
money upon
experiments.

Do not loan your money on experiments. If a borrower comes in with a proposition either speculative or visionary or untried, it will not be upon a loanable basis. Not until a new venture has passed the experimental point should the bank be asked to loan it—prior thereto its friends should put up the cash—if they have not faith in it neither should you—even as a new venture apparently successful, you will need to watch it.

The directors, the leading stockholders should endorse bank paper until the proposition passes beyond the transitory period.

* * *

The trained
men in the
Loan
Department
should read
every note
front and
back.

As a safety factor, every discounted note should be read front and back by the trained discount clerk. He should be sure of its negotiability—unless it be a collateral note upon his bank's special form, wherein the bank may in stated terms evidence a willingness to sacrifice negotiability for other valued rights preserved. He will want to guard against an error in timing a note when the paper shall be finally lodged in his maturity file. A false timing may lose the bank an endorser.

* * *

The
paralleling
of Statements.

The paralleling of statements quickly after receipt, in order to make comparison with previous years, should be lodged in experienced hands.

* * *

Follow
rapidly any
changes
occurring in
bank,
corporation
or firm.

Follow quickly the changes in personnel—in accounts of individuals, firms, corporations or banks. If an official of the bank, the corporation, or a member of the firm with whom you may be doing business, retires, if he be replaced, seek the reason quietly and immediately—uncover the real cause. The retirement of a bank officer unexpectedly has had a deep significance, the same may be true of a change in firm or corporation.

If you are loaning money to them you may need to recast your loans. There will be instances where the loss of a keyman to a concern will make you call in your line—his loss may cripple the business.

* * *

The heads of the Credit Department should be able to take an Agency Report, quickly note its strong or weak points—underline the strong in blue, the weak in red. This will permit those who use the file to pick that of value without waste of time. By this, we do not mean the penciled underlining shall cover the whole report—only the strong or weak factors here and there.

The way to
handle an
Agency
Report.

* * *

The Credit Man should adopt original methods in credit work provided they prove of value. He should retain precedent handed down to him that may be of worth.

Accept all
that be good
from
experience
but make
your
contribution,
too.

A knowledge of practical bookkeeping obtained through experience will prove an aid to the credit man.

Knowledge
of
Bookkeeping.

* * *

Many business people will come in and talk over their prosperity, their earnings with the Official Credit Man. After listening to their pleasing tale, he may be inclined to covet—to ask for a personal investment in that business. If he shall do that he will do well to keep in mind that if the tide of prosperity in that concern's affairs turns adversely—he may need to protect his bank by contracting loans to the house. Under those conditions he may be handicapped in judgment, in action, in seeking to draw back the bank's money at cost of personal investment. He may not serve two masters. He will be guarding trust funds lodged with

Do not
overlook that
the funds in
your keeping
belong to
others.

him for safe keeping in his Official capacity. He should hold himself untrammelled in his relations with the customers of the bank. His mental attitude in service should permit him to think straight—to decide—to act.

We recall a credit official, rather proud to claim that his company had lost no money upon its credits for a dozen years. Then the get-rich-quick fever got into his blood, in short order it destroyed his previous record. He had stepped aside from orthodox practice, had become personally interested, an investor in a number of concerns carrying material loans with his company. A number of those credits went wrong for large sums.

* * *

Do not permit neighbors or acquaintances, through you, to use your bank for their convenience at the cost of your reputation—the funds you handle are not yours—you are the guardian.

Do not
permit
Neighbors
acquaintances
or friends to
use you at
the cost of
the bank.

The writer making his home in a single community for upwards of thirty years, has been importuned in a score of instances by fellow townsmen for loans he could not properly grant. He endeavored to make his refusal gracious but his negative was not always graciously accepted. The bank official who can not say "No" will be treading on dynamite—he will endanger his bank, too. The quality of making the polite but firm refusal will need to be acquired early—if not, the credit officer may make shipwreck of his future.

* * *

In refusing
to grant a
loan take the
edge off the
disappoint-
ment.

The art of turning away a borrower unoffended—taking the keen edge off the disappointment—may be mastered by the tactful credit official. He will point out to the money-seeker that his proposition is not bankable for a commercial bank—that the borrower would not want that loan application taken up to the Board table—there declined.

When the Credit Official knows the loan to be undesirable for his bank—there should be no temporizing with the borrower—no easy way out of a hard situation—he should give a quiet, firm decision—not string the man out through a half-dozen useless interviews due to a want of courage in dealing frankly with the applicant.

Be honest
about it at
the start—do
not mislead
the applicant.

* * *

The Credit Official should not be hurried into making a loan to a dominant personality—to the man who must have the money today—look out for that type of individual—there may be a well defined purpose in his persistency. He may have been making a study of the Credit Official's make-up, his temperament to determine the line of attack to be framed to separate the bank from its money.

Do not permit
a persistent
borrower
to hurry you
into an ill-
considered
loan.

Meet such individuals with a bit of iron in the blood, with the counter-proposition that you will take proper time to consider, to consult with others. We recall a block of loans obtained by a forceful personality after this method, where the disaster to the bank in one of our greater cities caused the bank's downfall—together with the suicide of one of its Staff.

The trained bank man will in a large percentage of instances determine within five minutes—at times within sixty seconds—after the borrower enters the official enclosure, whether the loan be proper to grant. He may save both parties in the interview a tiresome detailed conference by tactfully interposing a word early in the discussion, suggestive of its uselessness.

* * *

The bank credit man must be sensitively alert to the currents that set in, that invest any single risk upon the books of the bank. These may be the not uncommon trade tides, they may be unusual conditions forced upon the borrower in his business.

Currents
which set in
and affect
your
customer.

* * *

The opinion
of the balanced
credit man
will be sought.

The advice of a balanced, trained credit man, be he in bank or in merchandising, will be constantly sought—he will give more than he receives to those in whom he has confidence. He will at times save those who may be inclined to be rash or hasty, from making a misplay—heading toward bankruptcy.

* * *

Merchandise
Trade Credits.

Not having been at any time identified with trade merchandise credits, we will only lightly touch upon a line wherein we are without experience. Upon the Veterans in merchandising and manufacturing, in the factories and marts where goods are made and sold, you will need to lean for your valued advice in extending merchandise credit. The modest observation following here upon trade Credits will have come from reading, from incidents in experience, from advices passed to us at the banker's desk by trade customers, credit friends.

* * *

Credits in
Suburban
Stores
handling
household
commodities.

We have referred elsewhere in this paper to a laxity in retail Credits in minor suburban communities—to the losses, the large proportion of failures among modest retailers who have served those communities in the sale of household commodities. This should be guarded against by organized effort of the dozen or more local dealers extending household Credits, by the payment of a modest annual fee from each dealer, coupled with a bit of grouped organization. The new citizen moving in to the town or section should be quickly checked back to the community from which he came—his record there uncovered. There are ways to do this—to be studied out. If the new resident be from a distance the freight invoices at the railroad station may prove an index. The men who drive the storage van into town when unloading may know the point at which the goods were loaded. The town of modest size may be divided into sections or squares with a member of the local association

Too many
losses in this
line.

delegated to cover each district—men to act quickly in reporting to the association. This organization may use its local bank or the Commercial Agencies to check the newcomer back to the point of last residence, to ascertain his record for the payment of bills there. Some people gain credit by paying first bills in cash—making a display of cash roll—then run up household credits until they need to move again.

It has not been easy to understand how a type of local retail storekeeper in minor suburban communities has been able to obtain credit for stocks of merchandise, when utterly failing to check up his new customers, to follow up collections.

The percentage of business failures among small retailers the country over has been large—it would emphasize that many enter that field with a few hundred dollars previously saved or inherited but with neither ability nor experience in merchandising, in determining costs, overhead or operating a store. It seems to be quite a proven fallacy that anybody may successfully manage a small store.

The National Credit Men's Association has urged that the jobber, the middleman, even the manufacturer, provided he sells direct, conduct a campaign of education through his salesmen by literature and in other ways whereby modern ideas of costs, overhead charges, merchandising, placing advertising, extending credit, making collections, arrangement of stock, environment and approach to the store, along with other factors vital to the retail storekeeper's success, may be injected into the blood of the new would-be merchant. Ben Franklin said:—

“Keep thy shop and thy shop will keep thee.”

Where a merchandise account of considerable sum is being opened by a stranger, he should be checked back to uncover his record as far as may be possible. If he be wanting in frankness or prove reluctant to speak of his former environment, watch the risk.

The Salesman
may educate
the small
trader to
safer methods.

The new
customer
when a
stranger
should be
checked back
to the section
from which
he came.

The
percentage of
loss in
merchandising—
what should
it be?

Someone has pointed out that when the Credit Man keeps the Sales up to the high point—keeps down the percentage of loss to a fraction of one per cent. dependent upon the degree of hazard in the line of goods sold, he will know his business.

Others suggest that if the house be organized to handle more business without material increase in overhead, the Credit Man, in instances, by making a modest increase in his percentage of loss may add materially to the profits of the house. They urge that he may be endeavoring to play safe to the point where he turns down a volume of sales carrying a good profit which would stand a fractional loss upon the whole.

There are men who urge that the trade house, factory, bank, where no losses are made, may not be meeting its functions as a live factor in business.

Keep a record
of the denied
credits.

Would it not be instructive if the Credit Man in trade, in bank, would keep a record of the houses denied credit by his department, if he would now and then total the sum of those denied credit, with notations of the percentage that may have gone wrong? To follow up denied credits in this manner, would permit the Credit Man to determine over a period of years the extent to which he may have been correct in analysis, in decision.

* * *

The trade
credit man
will keep
under close
watch—his
slow accounts.

With a large volume of merchandise accounts the Credit Man, while not neglecting any part of his schedule, will centre his effort upon his slow accounts.

* * *

The
overliberal
bank or
merchandise
house will get
the
undesirables.

The bank or merchandise house known to be keen for business to the point of overliberality will be quite likely to get an overshare of the undesirables.

* * *

A group of trained credit men whose houses had been selling a customer liberally, the latter having rather unaccountably swung over among the "slow pays," were advised that he had quietly retained a crooked attorney to handle his legal business. They counselled together a bit over this move—then determined not to sell him—subsequent events proved their judgment.

A sidelight
shadow upon
the credit.

* * *

The merchandise credit man has been known to decline to approve an order from a customer larger in amount than the modest community from which it came would be likely to consume. A study in proportions, the people grouped in that environment, forced the decision.

To prevent
an
overpurchase.

* * *

The condition of the farming country near to the customer; the population converging at that point; the magnitude of the manufacturing or business centering there; the sum of the weekly pay roll paid out in that locality, are all factors that the merchandise credit man will want to know.

The Trade
Credit Man
must vision
all
conditions.

A crop failure may tie up the local stores for a time with slow accounts. A paralysis of industry may force the stores to carry a modest portion of the "character accounts" for a reasonable time.

* * *

A card index record of carefully selected discreet people in the towns where the house sells its goods—people who would give a quiet confidential bit of advance advice relative to changes in the conditions of local traders, has proven serviceable. Discreet salesmen may aid in building up a chain of advisers of this type.

Carefully
picked trade
advisers.

* * *

The Credit
Man and
Salesman
should look
arms for
safety.

There should be harmony and cooperation of action and method between the Credit and Sales Departments. The real salesman keeps the house out of a bad sale—he will be the right arm of the Credit Department. The salesman with a vision will bring in a lot of information after every trip—bits of it will need to be tucked away for reference.

The opportunities for that type of salesman to study the safety, the setting of each name he sells, will excel all others connected with the house. He will have in mind the building up of a line of customers who may prove safe risks—he will be equally alert to add a new customer, who checks well.

The
Salesman
will be keen
of eye and of
ear in
safeguarding
the credits
of the house.

He should with eye and ear be keen to corral a bit of business news—affecting one of his risks or names sold by other houses—changes in general business.

He may, in his swing around the circle to sell goods, detect factors overlooked or pushed aside which if not eliminated will quickly undermine the risk—bad habits, extravagances, time spent in bucket shops, neglect of business, gambling, etc.

He may prove
very helpful
to the trade
he sells in
many ways.

He may give the merchant or storekeeper he sells advice in many helpful ways relative to increasing his sales—determining his costs, his overhead—collecting his accounts—displaying his goods—keeping properly insured—advertising the merits of his goods—introducing a new product—adding to the attractiveness, the drawing qualities of the store—making it a centre of interest in the town—talked about.

He will not overpersuade his customer to overbuy of merchandise—to the contrary, he may give the storekeeper helpful counsel—how to cut down an overstock, to bring back into the business capital locked up in slow moving merchandise.

His ear may catch a bit of disturbing information in the town where he lays off for the night, relative to a

customer of the house, at a point down the line of trade. This he will quickly wire in to the Credit Department—probably in cipher. It may start the Credit Man off by first train to rescue a credit in danger.

He may point the way to rescue a credit in danger.

* * *

After the trade Credit Man has put a firm mark of approval upon 90% of his risks, he will want to focus his effort upon the remaining 10%. From this slower trade there may naturally be derived the larger percentage of profit. These less favored people will not be quite so keen in buying at lowest prices—they want the goods—they want time to pay for them.

The Chief in Credits may focus his closer analysis upon 10% of his credits.

The man in credits will aim to keep this slower trade within close vision that it not become unduly slow or cumulative in amount. If either happen, he will seek the reason.

The crops may be a failure in a section, collections may be slow—the merchant may have had undue expenses from family trouble, extraordinary expenses from sickness or death—he may be speculating or neglectful of his business. The alert credit man will note the laxness, will uncover the reason—will know the moves to make.

* * *

Mr. Norvell, of St. Louis, some years back offered the following ten sign posts for the credit man:—

(1) Be an affirmative credit man, a business builder as opposed to a negative credit man whose efforts constantly prove damaging to the concern's good-will account;

(2) Stand vigorously against the salesman's tendency to overstock customers; let the standard be not to sell all you can but as much as is good for the merchant;

(3) Keep the young clerk from losing his savings by advising him against entering into independent business without duly counting the cost or without being properly equipped;

(4) Make trips among the customers and incidentally by so doing give your assistants the chance to assume responsibility;

Ten points to be watched offered by a trade Credit Man.

(5) Don't write letters that will make men sour—give unpleasant suggestions a turn which will show you have a little genuine humanity;

(6) Don't give expression to all you know in your first letter to a customer. Save for the second letter. Also in your letter writing use the question mark freely; it is safer to use than the period;

(7) Look out for special or "pet" accounts. A great percentage of them go wrong;

(8) Look out for the "tumble bug" kind of accounts, those largest when they are born. The healthiest business is the one which starts small and grows as more capital is needed;

(9) Make the request for an extension a time of special investigation—most important of all ask the customer for a statement;

(10) Work with the salesmen—train them to study the customers' weaknesses.

* * *

The value in
a swing
around the
circle.

Merchandise Credit Men have spoken of the results attained by closing the desk for a month—buying a mileage ticket, taking to the motor car and swinging around the circle in a visit to the customers of the house. Taking a look at them in the store they operate—noting their carriage behind the counter, in the office. Looking the stock over, its arrangement and display, the window dressing, the approach to the front, the external inlook as a whole. Meeting the customer in his home, obtaining a view of the home town setting from all angles. These may be assuring factors which point to success, to safety—they may suggest watchfulness.

If credit sense forces a distrust of the safety of a risk upon the Credit Man—if the account seems too large or too slow—if his knowledge seems inadequate, incomplete, let him jump the train—then dig deep for the cause of his unrest. He may save his money.

The writer of this imperfect paper, without experience in merchandising, needs to here pass trade credits on to the greater army of skilled trade grantors—to men equipped to serve you in drawing upon every day experiences.

* * *

There will be times when the bank credit man will want to suggest to an individual or firm—the need of incorporation to protect its general credit, to make bank loans safe, to hold the business together in the event of the decease of one of the firm where the partnership has been drawn to expire upon the death of either member or upon the decease of an individual trading alone. In this latter case the continuance of the business through incorporation or by individuals would need to be covered in the will of the deceased.

The need for
incorporation
at times.

Any debt due the bank or merchandise creditor at the expiration of a partnership—caused by the decease of a partner—will need to be closely watched. The banker may want to retain the notes of the old firm for payment rather than accept new paper, unless he be confident of a safe position in waiving his security in the deceased partner's ownership in the old firm.

We have seen statements which before the decease of a firm member were very strong in quick assets as proportioned to debts, completely transformed when a large sum due the deceased partner's estate had been listed as a liability in the new schedule of Assets and Liabilities.

Statements
completely
transformed
after the
removal of a
member of the
firm by
decease.

* * *

The Credit Man should have a knowledge of essentials in the Statutes of his State as related to Partnerships. At times the bank for its protection upon the expiration of a partnership under conditions given above may need the appointment of a liquidator for the business.

Incorporation would provide against a mix-up of this nature.

There will be other good reasons for incorporation. We have known concerns to first trade as an individual, then as a firm, later as a corporation, then go back to a firm and again to a corporation, due to a changing environment in the business—in part due to peculiar times or tax laws.

In the Attorney who is to steadily serve you, pick a man with business sense and business vision.

In the conduct of the Credit Department in its relation to the loans made by the bank, you will at times need the advice of an Attorney in the moves you make. You may count yourself fortunate if your legal adviser be a man of good business sense—not too technical, not too rigid, not unwilling to see you take the proper business chance.

* * *

Read the daily Record of Court Judgments entered up and new suits brought.

Valuable hints have been gained by noting the daily Record of Court Judgments entered or renewed and suits brought—in this way may be disclosed the first embarrassment or entanglement in a name in which your bank may be involved or interested.

* * *

The Credit Department should have the best file—best arranged—always in order.

Files so arranged that credit information may be had immediately upon call are indispensable to this Department. These files should permit of the easy reception of a folder into which all ordinary business letters without a fold in the sheet, may be lodged. These should be protected from fire as nearly as can be. If the time comes when you think it advisable to clean out your least serviceable data from the files, be more than careful in what you destroy—better build an exact duplicate but less expensive file in cellar or attic—lodge all papers that may have a possible use in the duplicate files. In tracing back the antecedents in a credit risk or searching back into an old record—this will happen more often than you imagine—these may prove of rare value.

Where two or more names interlink, the cross index in the files should be used.

* * *

Keep in touch with every point offering the Credit Man helpful information.

Cultivate as many well thought out channels where the shifting conditions in credits may be known as well as the changing tides in business. These will need to be wrung out from your environment—there are opinions

well thought out, there are opinions only echoes of other men's opinions—pick men with vision, mind, training, for this trade survey.

* * *

The Channels of Credit Information:—

After treating Channels of Information as sidelights at so many other angles in this paper, here we need as a part of our plan to be a bit more specific. No more difficult or important part of your service as a credit man will come to you than that of determining the sources from which you shall obtain credit information.

No factor in Credits more vital than the selection of proven channels for credit information.

This is vital in loaning your money—it is vital to the man who asks you for credit service, he pins his faith upon you. It is the key to the vestibule opening to the inner chamber, containing the best for you in credits. To single out these picked channels calls for all that be resourceful in the Credit Man's equipment. It will be a test of his timber, his tactfulness, if he obtains that which he may be after. No keener satisfaction will have come to him in his exacting service than when he has quickly brought this result.

When the name first comes to him for investigation, he will ask for the folder of that name from the bank file—he may find all that he needs in that folder—he may find only his leads there, a good outline start. If the folder be bare, his work will be cut out for him. He may then take a look at the Agency reference books to arrive at the Agency estimate—to determine the magnitude of the proposition, to locate its place of business. Then he may look over his Card Index of Bank Accounts (this index may contain the bank accounts of 80% of the concerns doing business in the city). That card may reveal that the account is located in an institution where the management enjoys the confidence of those who seek the opinion. That opinion may give him the kernel of what he needs.

Card Index of Bank Accounts.

The City
Credit Map
may aid in
locating the
bank
connection.

Failing in locating the bank account in the index or by using the City Credit Map in his Department for that purpose, he will work independent of bank opinions. He will gain his information from valued lists of trade friends, trade customers of the bank—their estimate will probably give him all that he may need to form an opinion.

Times when
the Credit
Chief will
need to put
his
personality
back of the
inquiry.

If the inquiry involves big money—if it be to aid a distant credit friend or connection who wants an exhaustive report, he will reach all channels known to the indexes of the Credit Department. The Credit Official may go after that information in person, putting his official personality back of the request—dependent upon the measure of importance attached to the inquiry.

The Credit
Comrade at
long distance
should have
your quickest
and best in
time of need.

The request for credit information may come in by wire, by long distance—may recite its urgency. You will seek to give your distant credit connection all he may need within the time given. Seldom in experience have we balked at the time limit put upon us in meeting the want of a distant credit comrade.

In making an inquiry, in replying to an inquiry in credits—over the phone—the language used will be guarded, expressed with caution—the bank cipher may be used.

At times go
in person or
send a picked
representative
for the
intimate
opinion.

Your character checkings will be made through your proven bank, proven trade channels. There may be times when you are vitally interested when you send a picked representative to check the man in and around his home locality.

You may check his Ability with people from whom he buys his raw material, men who visit the mill in all kinds of financial weather. You may further check his Ability with the stronger houses who buy his goods, provided they be of standing—they will tell you the nature, the salable quality of the goods that come from his looms.

You may take into the analysis as sidelights the Commercial Agency reports—you may use the service of Special Agencies in the same way.

Commercial
Agencies.

* * *

The Credit Machinery:—

Card indexes are handy tools for the Credit Department. They record an initial lead in the investigation, telling you where the bank accounts of thousands of concerns are deposited—remind you of credit data relative to one of your depositors promised by a certain date—tell you to take up and settle a disputed point definitely relative to one of your credits—notify you that a statement of a customer should be in hand—record that a mortgage upon a property of one of your clients will need to be renewed or paid at a future date, notice to you that you ascertain if that mortgage may be renewed or replaced—to ascertain if an expiring partnership will be renewed, to further see that the new partnership does not expire upon the decease of one of its members without some provision to protect your bank loans—tell you that the premium on a life policy held by the bank to protect loans made to a young house, in a way yet to make good, must be paid—it may be a reminder to notify a customer that his note due thirty days hence will not be renewed—must carry a substantial reduction or be paid in full.

Card Indexes
and their
legional value.

There are scores of other ways in which the Credit Card Index may prove serviceable. Its uses are without limit.

* * *

Carbon copies of all important letters will be kept. If the subject covered be of major importance, the letter of inquiry and the carbon reply, clipped together, may be useful. They give the whole case, not a fragment.

* * *